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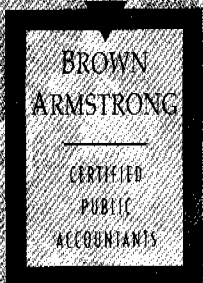
CITY OF BAKERSFIELD, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008
(With Auditor's Reports Thereon)

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**CITY OF BAKERSFIELD, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Bakersfield, California

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalba Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
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Kenneth J. Witham, CPA
Clint W. Baird, CPA
Jose Garcia, CPA
Adrian Rich, CPA
Lance Larralde, CPA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bakersfield, California (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bakersfield's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

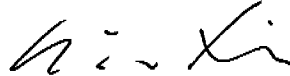
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

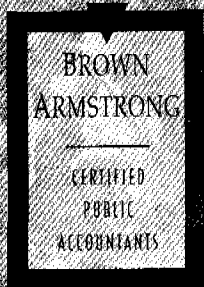
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
November 21, 2008



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**AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Bakersfield, California

Harvey J. McCown, MBA, CPA
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Compliance

We have audited the compliance of the City of Bakersfield, California, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Bakersfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Bakersfield's management. Our responsibility is to express an opinion on the City of Bakersfield's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bakersfield, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bakersfield's compliance with those requirements.

In our opinion, the City of Bakersfield, California, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Bakersfield is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bakersfield's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bakersfield's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Bakersfield, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
November 21, 2008

CITY OF BAKERSFIELD, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grant Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Program - Community			
Development Block Grant			
Entitlement	14.218*		\$ 3,708,887
Emergency Shelter Grant	14.231		184,218
Home Program	14.239*		1,038,298
Economic Development Initiative Grant	14.246		<u>277,759</u>
Total Department of Housing and Urban Development			<u>5,209,162</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106		107,419
Passed through California			
Office of Traffic Safety:			
State Community Highway Safety	20.600	PT0719	144,162
Passed through California			
Department of Transportation:			
Surface Transportation Program	20.205	STPL-5109	2,599,355
Transportation Equity Act	20.205	HTP2IL-5109; PRNS-5109; and NCIP-5109	7,683,888
Congestion Mitigation and Air Quality Program	20.205	CML-5109	1,621,528
Highway Bridge Replacement	20.205	BRLSZD-5109 (046)	<u>247,040</u>
Total Department of Transportation			<u>12,403,392</u>
Department of Education			
Safe and Drug-free Schools and Communities	84.184		<u>61,382</u>
Department of Homeland Security			
Assistance to Firefighters Grant	97.044		79,904
Metropolitan Medical Response System	97.071		<u>86,025</u>
Total Department of Homeland Security			<u>165,929</u>
U.S. Department of Justice:			
Edward Byrne Memorial Formula Grant Program	16.579		85,659
Gang Resistance Education & Training	16.737		<u>145,266</u>
Total Department of Justice			<u>230,925</u>
Total Grants			<u>\$ 18,070,790</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BAKERSFIELD, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

NOTE 1 – GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activity of all Federal Financial Assistance programs of the City of Bakersfield, California (City). As defined in Note 1 of the Notes to the City's Financial Statements, those financial statements and the accompanying Schedule of Expenditures of Federal Awards presents the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Government. Each blended and discretely presented component unit has a June 30 year end. Blended and discretely presented component units are:

1. Discretely Presented Component Unit:

The Bakersfield Redevelopment Agency (the Agency) is responsible for the development and financing of projects within (1) the Southeast Bakersfield Project Area, (2) the Old Town Kern-Pioneer Project Area, and (3) the Downtown Bakersfield Project Area. The Agency is governed by a board comprised of members appointed by the City Council. The Agency is reported as a Governmental Fund Type.

2. Blended Component Unit:

The Bakersfield Public Financing Authority (the Authority) is a joint exercise of powers authority formed on July 7, 1993 by and between the City of Bakersfield, California (the City), and the Bakersfield Redevelopment Agency (the Agency). The Authority was created to assist the City, the Agency and other local public agencies in financing and refinancing, through the issuance of bonds or other instruments of indebtedness, public capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Authority is authorized to make and enter into Bond Purchase Agreements and to purchase Obligations of any Local Agency.

The Authority is governed by a board consisting of the Mayor and the City Council. The Authority is reported as a Governmental Fund Type.

Complete financial statements for each of the individual component units may be obtained at the City's Finance Department.

Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the Notes to the City's Basic Financial Statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic Federal financial reports.

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of the amounts listed in the Schedule of Financial Assistance to the City's basic financial statements:

	Federal Grantor/Program Title											
	U.S. Department of Housing and Urban Development			U.S. Department of Transportation		U.S. Department of Education		Department of Homeland Security		U.S. Department of Justice		
	Community Development Block Grant	Airport Improvement Program	State & Community Highway Safety	Highway Planning & Construction	Safe & Drug Free Schools & Communities	Metropolitan Medical Response	Assistance to Firefighters	Local Law Enforcement Block Grant	Edward Byrne Memorial Grant	COPS in Schools	Gang Resistance Ed & Training	
Federal Financial Assistance Recognized	\$ 5,209,162	\$ 107,419	\$ 144,162	\$12,403,392	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -	\$ 145,266	
State and Local Financial Assistance Recognized	599,804	-	-	22,584,638	-	-	-	-	-	-	-	
Total	\$ 5,808,966	\$ 107,419	\$ 144,162	\$34,988,030	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -	\$ 145,266	
Reimbursable Disbursement/Expenditure	\$ 7,141,916	\$ 107,419	\$ 144,162	\$34,988,030	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -	\$ 145,266	
Total Disbursement/Expenditure	\$ 7,141,916	\$ 107,419	\$ 144,162	\$34,988,030	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -	\$ 145,266	
Unpaid Billings as of June 30, 2008	\$ -	\$ -	\$ -	\$ 2,201,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Long Term Receivables (Federal portion)	-	-	-	(651,390)	-	-	-	-	-	-	-	
Accrued Revenue June 30, 2008	1,158,959	-	-	3,123,884	-	-	-	-	-	-	-	
Due from Federal Government	\$ 1,158,959	\$ -	\$ -	\$ 4,674,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the variances between Expenditures and Financial Assistance recognized:

	Federal Grantor/Program Title									
	U.S. Department of Housing and Urban Development		U.S. Department of Transportation		U.S. Department of Education		Department of Homeland Security		U.S. Department of Justice	
	Community Development Block Grant	Alport Improvement Program	State & Community Highway Safety	Highway Planning & Construction	Safe & Drug Free Schools & Communities	Metropolitan Medical Response	Assistance to Firefighters	Local Law Enforcement Block Grant	Edward Byrne Memorial Grant	COPS In Schools
Federal Financial Assistance Recognized	\$ 5,209,162	\$ 107,419	\$ 144,162	\$ 12,403,392	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -
State and Local Financial Assistance Recognized	599,804	-	-	22,584,638	-	-	-	-	-	-
Total	\$ 5,808,966	\$ 107,419	\$ 144,162	\$ 34,988,030	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -
Total Disbursement/Expenditure	\$ 7,141,916	\$ 107,419	\$ 144,162	\$ 34,988,030	\$ 61,382	\$ 86,025	\$ 79,904	\$ -	\$ 85,659	\$ -
Variance of Revenues Recognized Over/(Under) Expenditures	\$ (1,332,950)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deficit of Program Income	\$ (1,332,950)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF BAKERSFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

1. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Bakersfield, California.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of the City of Bakersfield, California were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Bakersfield, California expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings relative to the major federal awards programs.
7. The programs tested as major programs included: (1) U.S. Department of Housing and Urban Development Community Development Block Grant – Entitlement (CFDA Number 14.218); (2) U.S. Department of Housing and Urban Development Block Grant – Home Program (CFDA Number 14.239).
8. The threshold for distinguishing Types A and B programs was \$542,124.
9. The City of Bakersfield, California was determined to be a low-risk auditee.

2. Findings Relating to Financial Statements Required Under GAGAS.

None.

3. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

4. Status of Prior Year Findings and Questioned Costs

None.